No. 73-1145

In the Supreme Court of the United States

OCTOBER TERM, 1973

TECHNICAL DEVELOPMENT CORPORATION, ET AL., PETITIONERS

v.

UNITED STATES OF AMERICA

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF CLAIMS

BRIEF FOR THE UNITED STATES IN OPPOSITION

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OPINION BELOW

The opinion of the Court of Claims (Pet. App. 1-71) has not yet been reported.

JURISDICTION

The judgment of the Court of Claims was entered on June 20, 1973. A motion for rehearing was denied on October 26, 1973 (Pet. App. 84). The petition for a writ of certiorari was filed on January 23, 1974.

The jurisdiction of this Court is invoked under 28 U.S.C. 1255(1).

QUESTIONS PRESENTED

1. Whether the Court of Claims correctly held, on the particular facts of this case, that the United States has an implied license to use inventions for which petitioner Offner holds patents.

2. Whether petitioners had an adequate opportunity to answer the license defense asserted by the United States, where petitioners stipulated to the introduction of the government's evidence at the close of trial, and did not request that the record be reopened to present additional evidence on petitioners' part.

STATEMENT

Petitioners brought this patent suit under 28 U.S.C. 1498 seeking "reasonable and entire compensation" for alleged unauthorized use by the United States of inventions described and claimed in two patents owned by petitioner Franklin F. Offner ("Offner"). Petitioner Technical Development Corporation is Offner's exclusive licensee under the patents. The patents relate to electronic fuel control systems particularly suitable for use with jet aircraft engines (Pet. App. 5).

In early 1945, petitioner Offner submitted proposals to the government for the development of an electronic control system for jet-propelled aircraft. After some preliminary tests in 1945, Offner offered

to develop and build a jet engine fuel control system for the government. On June 20, 1946, the United States entered into a contract with Offner's company, Offner Electronics, Inc. (also referred to as "Offner"), under which Offner would develop and build such a system. The contract called for Offner to provide a final report setting forth all details of his design development and testing, and included a "Patent Rights" clause by which Offner agreed to grant to the United States a license to any inventions "conceived or first actually reduced to practice * * * in the performance of the contract" (Pet. App. 8-9.)

In December 1946, Offner completed the fuel control device and sent it to the Allison Division of the General Motors Corporation ("Allison") for testing on a jet engine Allison was developing for the government. The device was again tested at Wright Field in May 1947 and was delivered to the government, so that the contract was deemed completed. In August 1947, Offner filed a patent application for the fuel control system. The patent issued and was ultimately reissued (No. Re. 24,809, "the '809 patent") as the patent involved in this suit (Pet. App. 9-10).

Sometime after mid-1946, and while Offner was developing the fuel control system described above, Offner and Thompson Products, Inc., decided to collaborate in efforts to pursue further development of the Offner control. On March 5, 1947, Offner Electronics and Thompson Products entered into a contract granting Thompson Products an exclusive li-

cense under Offner's fuel control inventions and any patents which might be granted thereto; Thompson Products agreed to manufacture fuel control systems using components developed and built by Offner. The control units were thereafter referred to as the "Thompson-Offner fuel system" (Pet. App. 10.)

On March 21, 1947, at a meeting attended by Offner and representatives of Allison, Thompson Products and the government, it was agreed by all that Allison would test fuel controls for its jet engines, including the Thompson-Offner fuel system. A contract between Allison and the government for this program was executed in March 1948, which contained a Patent Rights clause similar to the one in the earlier Offner-government contract (Pet. App. 10-11). In May 1948, pursuant to the terms and conditions of the principal contract, Allison entered into a subcontract with Thompson Products which also included a Patent Rights clause. Although Offner was not a signatory to this contract, he worked with Thompson Products in executing the subcontract and received 45 per cent of the proceeds payable under the subcontract (Pet. App. 11-12).

In late 1947 or early 1948, Offner conceived the idea for an acceleration circuit for the fuel control system. This circuit is the subject of Patent No. 2,697,908 ("the '908 patent"), also at issue in this suit. Sometime before September 1948, the Thompson-Offner fuel system (then being tested at a United States Air Force Base pursuant to the terms of the contract between Allison and the government) was

modified by Offner to include the acceleration control circuit, and shortly thereafter the circuit was successfully flight-tested. Petitioner Offner was present throughout the flight testing and in fact was the principal representative of Thompson Products-Offner Electronics, Inc., for part of the time that the testing was taking place (Pet. App. 12).

In 1964, petitioners brought suit in the Court of Claims alleging that both the '809 and '908 patents were infringed by fuel control jet engine systems manufactured for the United States by the General Electric Company. The United States raised the defenses of patent invalidity and noninfringement and denied the allegation that it had made "unauthorized" use of the devices, but did not specifically and affirmatively plead that it had a license under its contracts. However, the possibility of raising such a defense was discussed between the parties and the trial commissioner (Pet. App. 2, 5-6). As a result of these discussions, the parties entered into a stipulation filed on August 28, 1968, which stated in part:

> 1. The parties agree that the initial trial to begin on or about September 3, 1968, will be restricted to claims 3, 4 and 5 of Reissue Patent No. 24,809 all of which relate to the electronic fuel control system for the J47 engine, and to claims 11 and 35 of Patent No. 2,697,908 which relate to the electronic control system for the afterburner section of the J85 engine.
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> * * * * *
>
> 6. As indicated generally in the Pretrial Statement filed by Defendant on August 5, 1968,

and as referred to in particular in Plaintiff's letter to Defendant on October 25, 1965, Plaintiffs were involved in contractual matters with the United States Government relating to electronic control equipment of the general type involved in the patents in suit, specific reference being made to contract No. W33-038 ac 15202 between the War Department (Army Air Forces) and Offner Electronics, Inc., dated June 20, 1946. Since a complete investigation of the matter of license defense by Defendant will require more time than is available before commencement of the trial session on or about September 3, 1968, the parties accordingly agree that the proofs will not be closed until such time as the Defendant has had an opportunity to investigate the license defense with respect to the aforesaid contract and such other contracts with which the Plaintiffs may have been involved, and at which time the parties agree to submit a report to the Commissioner, such report to indicate whether further trial days will be required to present the license defense.

7. The parties agree that the license issue will be diligently pursued but that full attention to the matter cannot be given until the present trial session has been completed.

Six months after the trial, but before the record was closed, the government submitted a package of documents to serve as the basis of its license defense. The documents were admitted into evidence by a stipulation between the parties as to their authenticity. The government's brief and recommended findings of fact itemized the grounds for its license defense

(Pet. App. 2, 3). Petitioners' response stated (Pet. App. 3):

> It is submitted that, in view of the full opportunity granted Defendant to call any and all witnesses desired, and at any place it might have specified, and its failure to do so, the evidence should be construed to prove nothing beyond that strictly contained within the documents, and that extended inferences be proscribed.
>
> If, however, there should be any doubt as to the validity of Plaintiffs' position, based on such a strict construction of the evidence, Plaintiffs would in no way object to the reopening of the proofs, so that each side could introduce such additional testimony and documents as might bear on an incontrovertible proof of the facts of the case.

The trial commissioner held that the United States was licensed under both patents and, accordingly, the issues of validity and infringement were not reached (Pet. App. 6). The commissioner held both that the United States was entitled to an implied license and that Offner Electronics and Thompson Products were joint adventurers in performing the Allison-Thompson subcontract; as joint adventurers, Offner and Offner Electronics were bound by the Patent Rights clause and other obligations of the subcontract to the same extent as was Thompson Products (Pet. App. 68-71). Only after the commissioner's decision was filed did petitioners allege a defect in the pleadings because of the government's failure to plead license as an affirmative defense. Petitioners sought unsuc-

cessfully to reopen the case to consider further evidence on the license issue (Pet. App. 1-2).

The Court of Claims affirmed the commissioner's decision, noting particularly that the holding of implied license made it "very clear that defendant would still win even if the court were to grant plaintiff's motion to reopen" (Pet. App. 4). Alternatively, the Court of Claims accepted the joint venture basis relied upon by the commissioner (Pet. App. 4-5).

ARGUMENT

1. The Court of Claims' holding that the United States had a license to use the Offner inventions is based upon factual determinations and presents no issue warranting review by this Court. The June 1946 contract between Offner Electronics and the government granted the government a license to any inventions "conceived or first actually reduced to practice * * * in the performance of the contract" (Pet. App. 9). The Court of Claims found, after reviewing all the evidence, that the inventions at issue in the '809 patent were first actually reduced to practice in January 1947 in tests conducted at Allison; although prior tests had been run, the court found that the January 1947 tests were the first to demonstrate the operability, stability and reliability of the invention for practical use (Pet. App. 66-68). This factual determination does not merit review by this Court.

2. Concerning the '908 patent, the Court of Claims made two relevant determinations: (a) that Thomp-

son Products, as subcontractor to Allison, was bound by the Patent Rights clause of Allison's principal contract with the United States; and (b) that Offner and Offner Electronics, Inc., by virtue of their relationship with Thompson Products, also were bound by that clause. The court concluded, therefore, that the United States had a license to use the acceleration circuit which is the subject of the '908 patent.

It is clear that Thompson Products became bound by the Patent Rights clause because Thompson's subcontract stated that it was entered into in accordance with the principal contract and specifically noted the Patent Rights clause of that contract (Pet. App. 59). The Patent Rights clause was thus incorporated by reference into the subcontract. Cf. *J. S. & H. Constr. Co.* v. *Richmond County Hosp. Auth'y*, 473 F.2d 212, 216 (C.A. 5).

The implied license to the government under the '908 patent is based on the nature of the relationship between Offner and Thompson Products. The facts upon which the implied license is predicated are set forth in finding 64 of the Court of Claims (Pet. App. 70). Petitioners do not dispute these findings and they do not merit review by this Court. Similarly, petitioners do not challenge the finding that Offner was a joint adventurer with Thompson Products under the subcontract, and that as such Offner was bound by the terms of that contract, including the Patent Rights clause. Cf. *Lentz* v. *United States*, 346 F.2d 570, 575 (Ct. Cl.); *Bushman Constr. Co.* v. *Air Force Academy Housing, Inc.*, 327 F.2d 481, 484 (C.A. 10).

Rather than meeting these issues, which are the only issues necessary to a determination of the case, petitioners urge that this case is in conflict with *United States* v. *Dubilier Condenser Corp.*, 289 U.S. 178, and creates uncertainty in the area of patent claims. However, neither *Dubilier* nor any of the other cases cited by petitioners raises any conflict with the instant suit.

In *Dubilier*, the Court held that inventions by government employees who were not hired to make inventions do not automatically become the exclusive property of the government. This holding has no bearing on the instant suit, which involves a non-exclusive license between the government and a government contractor who was expected to make inventions.[1]

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[1] Moreover, none of the Court of Claims cases cited by petitioners has any bearing on or conflicts with the instant suit. *AMP, Inc.* v. *United States*, 389 F. 2d 448 (Ct. Cl.), is totally inapposite, as it held that a government contractor was estopped from claiming that the government's exercise of rights under an admitted license pursuant to a patent rights clause infringed a pre-existing dominant patent later acquired by the contractor. *Tripp* v. *United States*, 406 F. 2d 1066 (Ct. Cl.), turned on state law concerning employees' rights and did not involve a contractual patent rights clause. *Eastern Rotorcraft Corp.* v. *United States*, 384 F. 2d 429 (Ct. Cl.), turned on the factual question whether an invention by a patentee had first been reduced to practice prior to or during the term of the government contract. Similarly, *Technitrol, Inc.* v. *United States*, 440 F. 2d 1362 (Ct. Cl.), involved the factual question whether the invention was conceived in or after performance of a government contract; the decision did not turn on the theory of "implied license" or joint venture, and therefore does not conflict with the instant case.

3. There is no merit to petitioners' claim that they have been deprived of property without just compensation by the government's failure to plead affirmatively its license defense. Unlike the situation in any of the cases cited by petitioners, here the license defense had been brought to the attention of petitioners before trial. Moreover, petitioners stipulated that evidence on the license defense issue could be presented after the close of trial, did not object to its admission into evidence, and did not unequivocally request that the record be re-opened to present additional evidence on their part. Petitioners were therefore in no way prejudiced, as they had a full opportunity both to meet the license issue and to request a further hearing if they felt it was necessary.[2] They cannot be allowed to wait until a decision has been rendered before first asserting the need for an additional hearing.

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[2] Rule 39(b) of the Rules of the Court of Claims (Pet. 5-6) provides that when an issue not raised by the pleadings is tried with the express or implied consent of the parties, it shall be treated in all respects as if it had been raised by the pleadings, and the failure to amend the pleadings to conform them to the evidence does not affect the result of the trial of such issue. Rule 39(b) further provides, *inter alia*, that the court may receive evidence objected to on the ground that it is not within the issues made by the pleadings if the objecting party fails to satisfy the court that he will be prejudiced by its admission; a party who does so object is entitled to an opportunity to meet such evidence. See also Rule 15(b), Fed.R.Civ. P. Here, of course, petitioner failed to make any such objection or showing of prejudice.

CONCLUSION

For the reasons stated, the petition for a writ of certiorari should be denied.

Respectfully submitted.

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